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SUMMARY RECORD OF THE 5th MEETING

Chairman: Mr. STEIN (Germany)
(Vice-Chairman)

later: Mr. SENGWE (Zimbabwe)
(Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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In the absence of Mr. Senqwe (Zimbabwe), Mr. Stein (Germany), Vice-Chairman, took the Chair.

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 119: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/50/11/Add.2)

1. Mr. KONISHI (Japan) said that the Organization's critical financial difficulties required administrative and financial, economic and social, and Security Council reforms to be carried out in a balanced manner. To address administrative and financial problems alone would not accord with the original aim of reform, which was to strengthen the Organization as a whole. A conceptual distinction must also be made between the issue of cash flow and the systemic issue of financial reform. The only way to resolve the immediate cash flow crisis was for Member States to pay their assessed contributions.

2. Financial reform must be comprehensive and include not only a review of the scale methodology but also specific measures to ensure payment of assessed contributions. Review of the methodology should address all relevant factors in both the regular and peacekeeping scales; in that connection it would be useful to introduce, in addition to the existing principle of capacity to pay, the concept of "responsibility to pay" to take account of the special status of permanent members of the Security Council.

3. His delegation noted with interest the report of the Committee on Contributions (A/50/11/Add.2), which dealt with the review of the scale methodology for the regular budget and the application of Article 19 of the Charter. Account should also be taken of the deliberations of the High-level Open-ended Working Group on the Financial Situation of the Organization, which would resume its work in January 1997. Accordingly, while the General Assembly should discuss the matter carefully at the current session, there should be no rush to reach a conclusion without first making an effort to find truly effective ways of achieving comprehensive financial reform. In addition, the issue of the scale of assessments could not be dealt with solely from a technical standpoint; by its very nature it had a political dimension.

4. His Government remained committed to shouldering its significant financial responsibility towards the Organization.

5. Mr. KATSIGAZI (Uganda) said that his delegation shared the views expressed at an earlier meeting on behalf of the Group of 77 and China.

6. Uganda supported the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the United Nations. That principle, which had been consistently reaffirmed by the General Assembly, must be implemented as soon as possible in order to redress the unfair burden borne by the developing countries as a result of imperfections in the current scale. He appreciated the work done by the Committee on Contributions to improve the

methodology, despite the often contradictory instructions given to it by Member States.

7. Unless Member States reconciled their conflicting positions on capacity to pay, consensus would remain unattainable, and debate on the scale methodology and the scale itself would remain a reiteration of well-known positions with little substantive guidance to the Committee on Contributions.

8. The challenge for Member States was to muster the necessary political will to overcome entrenched positions so that recommendations could be developed that would lead to a scale which genuinely reflected capacity to pay. That would shorten discussion, obviate the need for parallel negotiating groups and put to rest the argument advanced by some that the scale of assessments was a factor in the inability of Member States to meet their financial obligations.

9. His Government had met all its financial obligations to the United Nations in full and without conditions. In fact, it had made advance payments of over 50 per cent towards its 1997 assessment.

10. Other Member States should refrain from seeking to establish a linkage between the scale methodology and non-payment of contributions. The latter issue should be addressed separately in the context of the item on the financial situation of the United Nations.

11. His delegation fully shared the serious concern expressed by other developing countries over the unjustifiable assessment surcharge imposed on many of them by the arbitrarily set floor rate of 0.01 per cent, which effectively provided assessment relief to wealthier, developed countries. That anomaly should be addressed as a priority. His delegation therefore welcomed the recommendation by the Committee on Contributions that Member States whose share of adjusted national income was less than the current floor should be assessed at their actual share of adjusted income.

12. His delegation would also support a base period that took into account the need for stability in the scale; in that connection, he noted with interest the suggestion by the Committee on Contributions regarding a gradual reduction in the length of the base period.

13. Overall, his delegation saw merit in the use of market exchange rates for conversion purposes, except where there were multiple exchange rates, high inflation or misalignments caused by market fluctuations. In such situations price-adjusted rates of exchange or other conversion rates, as approved by the General Assembly, should be applied. His delegation also shared the reservations on the use of purchasing power parities.

14. His delegation was convinced of the continued relevance of debt-burden adjustment to the scale methodology and saw merit in measuring debt-adjusted income on the basis of World Bank figures. It also supported maintenance of the low per capita income adjustment and wished to stress that any change in that factor should not result in the transfer of assessment points from already subsidized, high-income, developed countries to low-income developing countries.

15. The arbitrarily fixed ceiling, like the floor, distorted the principle of capacity to pay in respect of the largest contributor and imposed an undue burden on low-income countries, which had to absorb additional assessment points as a result. While some had argued that the Organization should not rely too heavily on one contributor and had suggested that the ceiling should be lowered from its current level of 25 per cent, the overriding consideration in establishing the scale, including the rate for the largest contributor, should be capacity to pay. The largest contributor should appreciate the subsidy it currently enjoyed as a result of the setting of the ceiling at 25 per cent, and should respond to that generous political gesture by meeting its financial obligations promptly, in full and without conditions.

16. At the current session, the General Assembly must reach agreement on improvements to the scale methodology, and must adopt specific guidelines to assist the Committee on Contributions in its preparation of the scale for the period 1998-2000.

AGENDA ITEM 115: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

17. Mr. CONNOR (Under-Secretary-General for Administration and Management) said that, at the end of September 1996, unpaid assessments due from all Member States had totalled $2.7 billion. While that reflected a welcome reduction of some $165 million since the end of August, it remained far too high for the financial health and viability of the Organization. At the end of September the negative position of the combined General Fund (including the regular budget and reserves) had increased to $119 million. The cash deficit had accumulated despite a heartening effort by many Member States to meet their obligations to the Organization. As of 30 September, 91 Member States had paid their regular budget assessments in full, compared with 82 by the same date in 1995 and 66 in 1994.

18. Outstanding regular budget assessments as of 30 September 1996 had totalled $714 million, of which $398 million had related to assessments for 1996 and $316 million to prior years. Of the total amount due, 74 per cent had been owed by the United States. Outstanding assessments owed by the United States had built up over a number of years. Following approval in April 1996 of its 1995 fiscal year national budget, the United States had advised the Secretariat that it could expect to receive by 30 September 1996 the amount - $304 million - appropriated for the regular budget. In fact, all funds appropriated by the United States in its 1995 national legislation, enacted in April 1996, had now been received, including amounts subject to certification.

19. On 30 September 1996, legislation had been enacted by the United States whereby $313 million had been appropriated to pay regular United Nations budget assessments for 1996; $213 million of that amount was expected by the end of December. Payment of the remaining $100 million appropriated was not expected until late January 1997 and was subject to certification that the United Nations had taken no action during calendar year 1996 to exceed its no-growth budget of $2,608 million for the biennium 1996-1997.

20. In terms of regular budget cash flow, that meant that the amount of $213 million to be received by 31 December 1996 was $100 million more than had

previously been forecast, and that the year-end projection of negative cash, which had been minus $243 million, had now been revised to minus $103 million. The revision comprised two factors: payment of the last $40 million subject to certification relative to the April legislation and payment of $100 million more than had previously been estimated relative to the September legislation. That was a distinct improvement. The figure also compared favourably with the corresponding negative figure of $198 million at the end of 1995, but much less favourably with the negative figure of $26 million at the end of 1994 and the negative figure of $1 million at the end of 1993. There were therefore no grounds for complacency.

21. With regard to peacekeeping cash flow, as of 30 September 1996, unpaid assessed contributions from all Member States had totalled just under $2 billion. Peacekeeping cash was now projected at $795 million as of 31 December 1996, a reduction of $71 million from the previous estimate. The earlier forecast of $866 million had estimated cash receipts of $266 million from the United States in the period from 1 September to 31 December 1996. Of that amount, $150 million had recently been received, and a further $45 million was expected shortly. However, no further payments were now expected before new peacekeeping assessments were issued, probably early in 1997. As a result, $71 million which had been expected between 1 October and 31 December 1996 would probably now be received early in 1997.

22. The United States legislation signed on 30 September 1996 had included significant amounts for peacekeeping activities: $282 million had been appropriated for current assessments, $50 million for arrears, and $20 million for contingencies relating to crises in Africa, in particular Burundi.

23. The Committee would recall that United States legislation limited peacekeeping assessments to a 25 per cent rate, in other words 6 per cent less than the current 31 per cent assessment rate set by the General Assembly. Accordingly, an arrears payment of the size indicated would not reduce the amount of United States arrears as determined by General Assembly resolutions.

24. The Secretariat had also been informed that payments of arrears were subject to two of the following three conditions being met: further cost savings aggregating at least $100 million in the United Nations Conference on Trade and Development, the regional economic commissions, the Department of Public Information and conference services; a reduction in personnel by the end of 1997 equal to at least 10 per cent of the number of posts on 1 January 1996; and the adoption of a budget outline for the biennium 1998-1999 below $2,608 million, as part of a five-year programme to achieve major cost-saving reforms.

25. Other than the new United States legislation regarding peacekeeping assessments, no significant changes had been made in other forecast assumptions. It was still intended that payments totalling $350 million should be made to troop providers in 1996, and an amount of $279 million had already been paid. It was also still the intention that a special year-end payment of $275 million should be made to troop providers contingent on receipt by the end of the year of the full amount of $400 million expected in 1996 from the Russian Federation, which had to date paid $210 million. Payments to equipment providers might also

be possible. Such payments would reduce to an estimated $700 million the amount owed to Member States at the end of 1996 for troop and equipment costs.

26. It was now projected that the combined General Fund would show a cash deficit of $103 million at the end of 1996, and that the combined peacekeeping accounts would show a positive balance of $795 million. The combined cash position of the Organization would thus be $692 million. Compared to the previous forecast, the overall improvement of $69 million reflected an acceleration of cash inflows of $140 million for the regular budget and a slowdown of peacekeeping cash inflows of $71 million.

27. Despite the relatively healthier outlook for the regular budget, the Organization was still obliged to resort to borrowing from peacekeeping accounts to maintain basic operations. That inherently poor financial practice would probably have to continue in 1997, and, in addition, the level of peacekeeping balances was likely to decline in the immediate future. There was also a danger that the ongoing financial crisis would continue to divert attention from, and have a negative impact on, internal reform.

28. The overall financial situation remained precarious. It was now estimated that, as of 31 December 1996, the total amount of past due assessments owed by Member States would be $2.1 billion, of which 65 per cent would be owed by the United States. The Secretary-General appealed to all Member States to emulate the growing number which had made efforts to meet fully their obligations to the Organization.

29. Ms. PEÑA (Mexico) said that, while her delegation welcomed the dialogue with the Secretariat regarding the cash position, it felt a certain discomfort about the detailed account of the legislative intent of one Member State vis-à-vis the Organization. It was for that Member State to state its views and to specify how it intended to make payments.

30. Mr. HANSON (Canada) said that his delegation shared the discomfort expressed by the representative of Mexico. While it welcomed news of payments received or about to be received, his delegation was concerned over the fact that the payments in question did not represent full payment: all Member States must pay all assessed contributions in full, on time and without conditions.

31. Mrs. RODRIGUEZ ABASCAL (Cuba) said that her delegation fully supported the view that contributions must be paid without conditions. In providing information on the financial situation, the Secretariat must not act as a spokesperson with respect to the legislation of a certain Member State. The Secretariat should concentrate on matters which concerned it and leave it to delegations to provide information on their domestic legislation.

32. Mr. GOKHALE (India) asked what the level of unpaid peacekeeping dues owed by the United States would be after payment of the $195 million received or expected in October. He also wished to know whether only the United States arrears of $50 million approved under the legislation of 30 September 1996 were subject to certification or whether the amounts of $282 million in respect of current assessments and $20 million in respect of contingencies would also require certification.

33. Mr. ODAGA-JALOMAYO (Uganda) said it was unacceptable practice for a Member State to impose new conditions for payment of its dues once the Organization's budget had been adopted by consensus in the General Assembly. His delegation agreed that future updates on the item under consideration should concentrate on the financial situation rather than the unilateral demands of a particular Member State.

34. Mr. THORNE (United Kingdom) said that his delegation was also concerned about the conditions attached by the United States. In the meantime, it was still awaiting updated figures on amounts owed by the Organization to troop and equipment contributors.

35. Mr. ALOM (Bangladesh) asked the Under-Secretary-General for Administration and Management to clarify his statement that the continuing financial crisis had diverted attention from the internal reform of the United Nations.

36. Mr. IRAGORRI (Colombia) said that his delegation felt that the conditions attached by the United States should be included in future updates on the financial situation. His Government respected the political position of the United States and believed that, if other Member States wished to do more than simply feel uncomfortable about the situation, they should ask themselves whether they had the political will to agree to those conditions or to conditions attached by any other State. Otherwise the same cycle of sterile debate about non-payment of dues would simply continue without any practical benefit for the Organization.

37. Mr. Sengwe (Zimbabwe) took the Chair.

38. Mr. ZHANG Wanhai (China), supported by Ms. INCERA (Costa Rica), speaking on behalf of the Group of 77, said that the practice of attaching conditions to the payment of dues was completely unacceptable. The United Nations Charter clearly stipulated that dues should be paid promptly and without conditions.

39. Mr. RAMLAL (Trinidad and Tobago) said that he shared the concern expressed by other delegations about the practice of making payments conditional. His Government wished to inform the Committee that it had recently adopted a three-year payment schedule designed to clear all of his country's arrears to the United Nations. In addition, his Government intended to meet in full its annually assessed financial obligations, thus demonstrating its wholehearted commitment to the Organization.

40. Mr. ZULKIFLI (Malaysia) said that his delegation was also concerned about the unilateral imposition of conditions and certification by the United States and about that State's unilateral decision to reduce its peacekeeping assessment. His delegation would be grateful for more information on the amount owed by the United States for peacekeeping operations.

41. Mr. KELLY (Ireland), speaking on behalf of the European Union, reiterated the European Union's expectation that all payments to the United Nations should be made in full, on time and without conditions. The European Union was also awaiting updated information on the amounts owed by the Organization to each troop-contributing State.

42. Mr. HANSON (Canada) said that his delegation felt unable to accept the suggestion by the representative of Colombia that unilaterally imposed conditions could be discussed with a view to their subsequent acceptance or non-acceptance. Member States had no choice but to operate within the framework of the Charter, which stipulated that unilaterally imposed conditions were unacceptable. While his delegation welcomed the full and regular briefings on the financial situation provided by the Under-Secretary-General for Administration and Management, he was concerned that the inclusion in such reports of conditions attached by Member States would endow those conditions with a spurious legitimacy.

43. Mrs. EMERSON (Portugal) said that the alarming gap between negative cash flow and paid assessments in both the regular budget and peacekeeping operations compelled her delegation to inquire how the Organization intended to survive. She wondered whether the United Nations intended to continue functioning by simply failing to reimburse troop contributors and vendors.

44. Mr. ATIYANTO (Indonesia) said that any mention of the conditions imposed by the United States in the most recent update on the Organization's financial situation was out of place since the Charter specifically ruled out the imposition of unilateral conditions. His delegation also wished to know more about the amount owed by the United States to peacekeeping operations and how the Organization intended to ensure its own survival in view of the enormous gulf between unpaid assessments and cash reserves.

45. Mr. GELBER (United States of America) said he was upset to learn that so many delegations were concerned about the level of United States arrears. He was unable to prescribe any remedies for their concern, but wished to emphasize that over $400 million of the payments recently made by the United States were subject to no conditions whatsoever.

46. It was true that the United States had not paid its arrears in full, but then neither had over half the Member States of the Organization. The conditions attached by his Government to payments to the United Nations were a purely internal matter for the United States and need not affect other States unless they wished to be affected. All his delegation could do in the circumstances was to relay their views to his authorities. He requested the Committee to deal realistically with the constraints which had been imposed on his delegation; since his powers and authority were strictly limited, recriminations would simply be a waste of time. He urged the Committee to move beyond tired old mantras and assist his delegation in finding lasting solutions to the Organization's financial problems.

47. His delegation also requested updated information on the amounts owed by the Organization to troop contributors.

48. Mr. GREIVER (Uruguay) said that his delegation was concerned about the persistent delay in reimbursing Member States for contributions of peacekeeping troops and equipment. The regular budget deficit was being contained by borrowing from peacekeeping operations to the detriment of a number of contributor States with developing economies. His delegation was specifically

interested in knowing when the schedule of amounts owed to Member States for peacekeeping operations would be issued.

49. Mrs. GOICOCHEA ESTENOZ (Cuba) said that the real point at issue was an ethical one. When a State signed the Charter of the United Nations, it assumed certain obligations, including respect for the wider international community. To involve a national assembly in the running of the United Nations was unacceptable because the Organization was a congress of nations and not an interparliamentary union. In that connection, her delegation wished to clarify its earlier proposal that the updated information provided by the Under-Secretary-General for Administration and Management should be incorporated into an official document. The elements relating to the proposals of the United States Congress should not appear in a Secretariat document; instead they could appear in a less official format or in a document requested for circulation as an official document of the General Assembly.

50. Her delegation noted that all Member States were obliged to pay their dues in full. At the same time she acknowledged that, owing to the economic hardships currently affecting Cuba, her Government had not been able to meet that requirement, despite its strong political will to support the Organization.

51. Furthermore, she reminded the Committee that General Assembly resolution 41/213, which was designed to alleviate the financial troubles of the United Nations, had been adopted in response to action by the United States Congress. Certain recent decisions, however, had undermined that resolution. The Charter stipulated the equality of all Member States, and it was therefore essential to analyse the interests of all in order to identify common positions.

52. Mr. CONNOR (Under-Secretary-General for Administration and Management) said that the amount still owed by the United States for peacekeeping operations was $906 million. Payment of United States arrears was conditional on three factors, whereas payment of regular budget contributions was merely conditional on zero budgetary growth. The schedule of amounts owed to Member States by the Organization for peacekeeping operations would be issued at the beginning of the following week. Because an inordinate amount of time during the past year had been spent on cash crisis management, the areas of systems improvement and managerial reform had inevitably suffered.

53. The fact that he had mentioned the conditions imposed by the United States should not be taken to imply that they were in any way legitimate. Nevertheless, assumptions had to be made for the purposes of forecasting and the reader or listener needed to be able to determine the basis on which the forecast had been made and the variability of the underlying assumptions. With regard to the gap between unpaid assessments and the Organization's meagre reserves, he explained that $1 billion was owed to troop and equipment contributors, $400 million to vendors and $400 million to Member States because of budget underspending in previous years. In addition, the Organization needed to replenish drawn-down reserves in the amount of $400 million; the balance would be retained to enable the United Nations to survive through the remainder of the assessment period.

The meeting rose at 11.40 a.m.